

MYANMAR
ECONOMIC
MONITOR
JAN 2023



**NAVIGATING
UNCERTAINTY**

Myanmar Economic Monitor

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Myanmar's economy has been affected by significant volatility and uncertainty over the past six months

- Price inflation
- Kyat depreciation
- Resumption of electricity outages
- Ongoing conflict
- Uncertainty around access to fx and trade
- Frequent regulatory changes

Some businesses are finding ways to cope, others are struggling

CPI rose by ~20 percent over the year to July 2022; fuel prices have stabilized more recently

Figure ES 2: CPI inflation

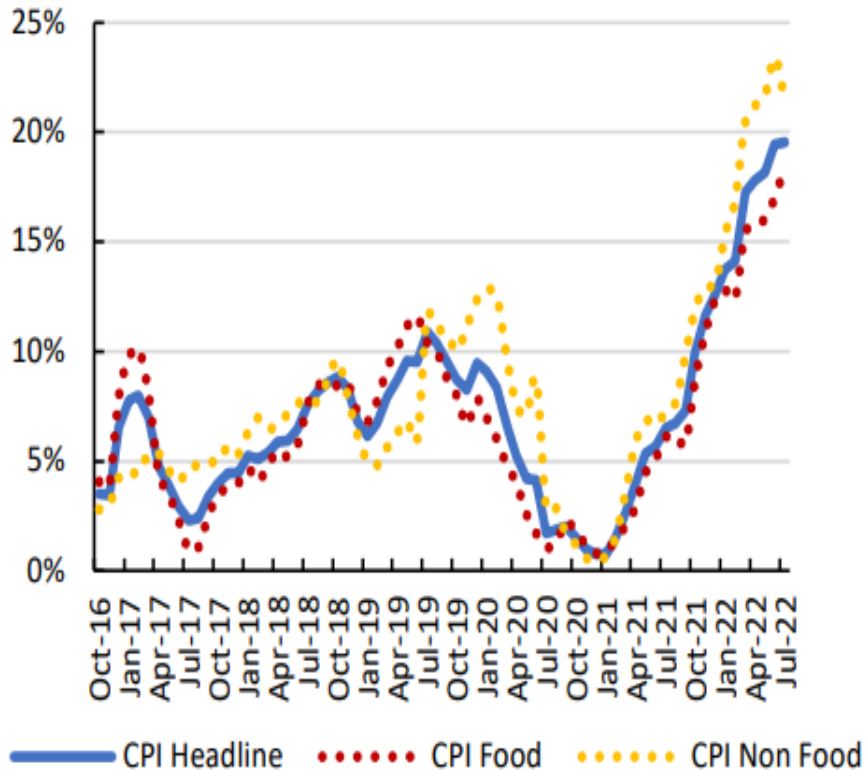


Figure 25: Contributions to non-food inflation

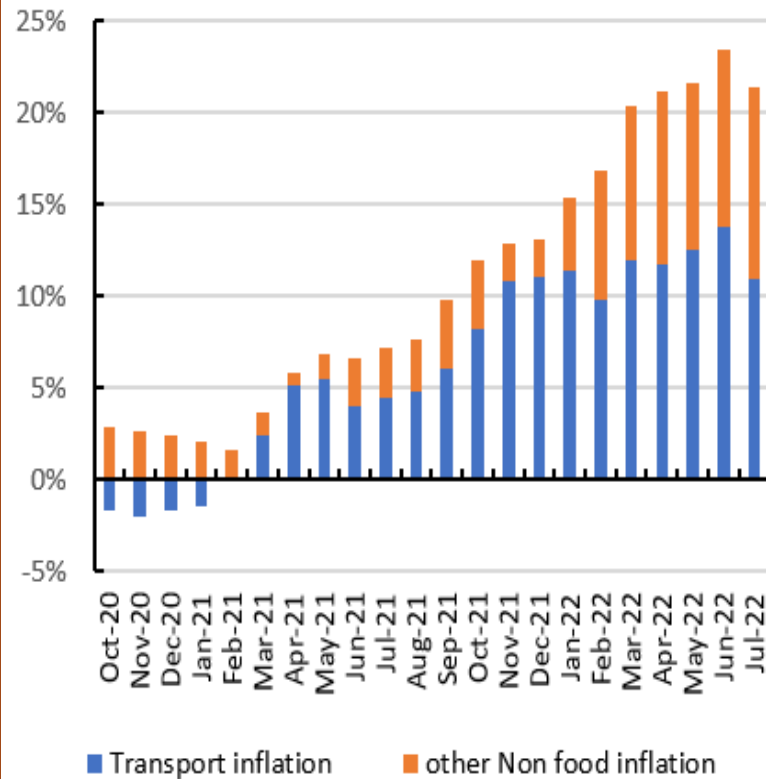
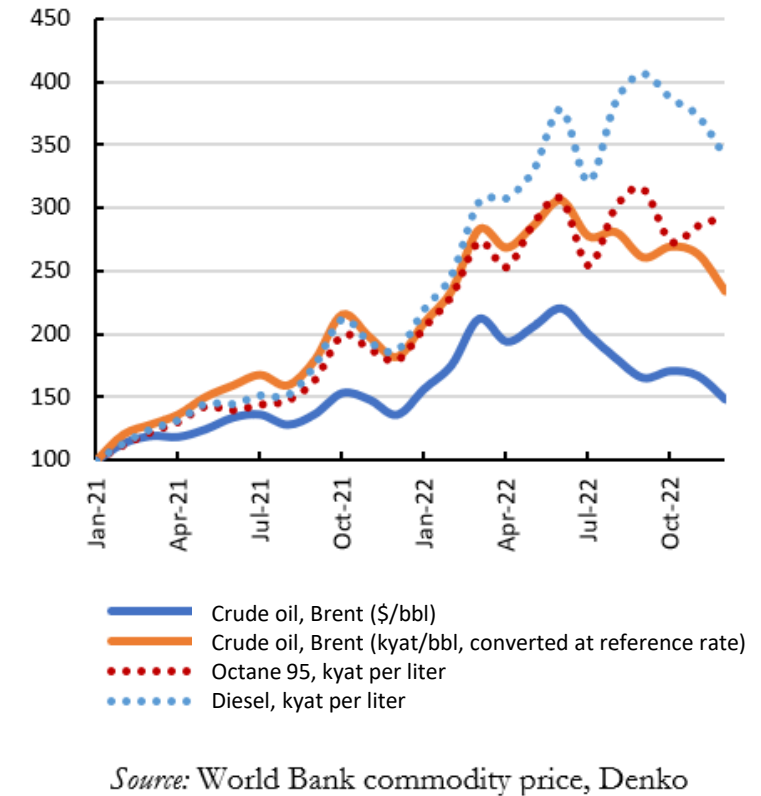


Figure 24: Fuel price and key drivers, January 2021=100

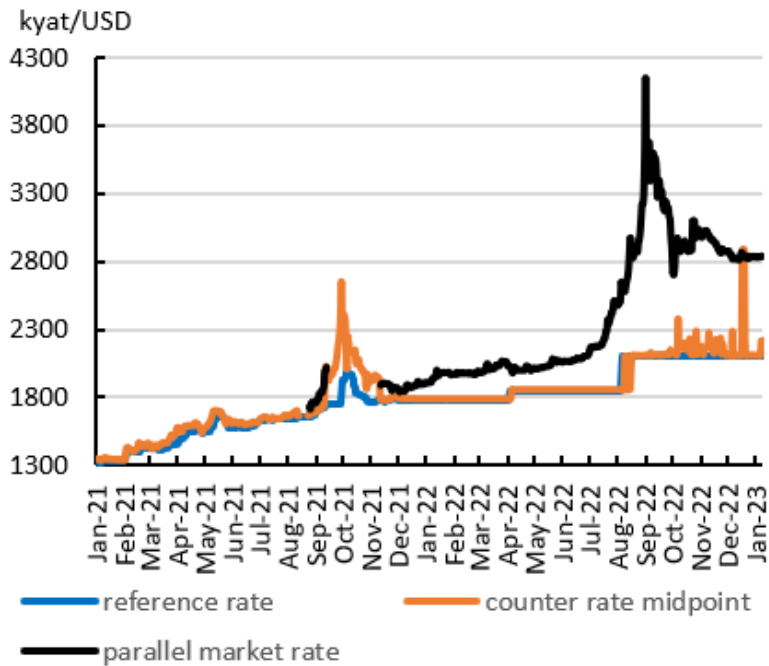


Source: World Bank commodity price, Denko

The exchange rate depreciated sharply in July/August before stabilizing; fx and trade restrictions continue to pose challenges

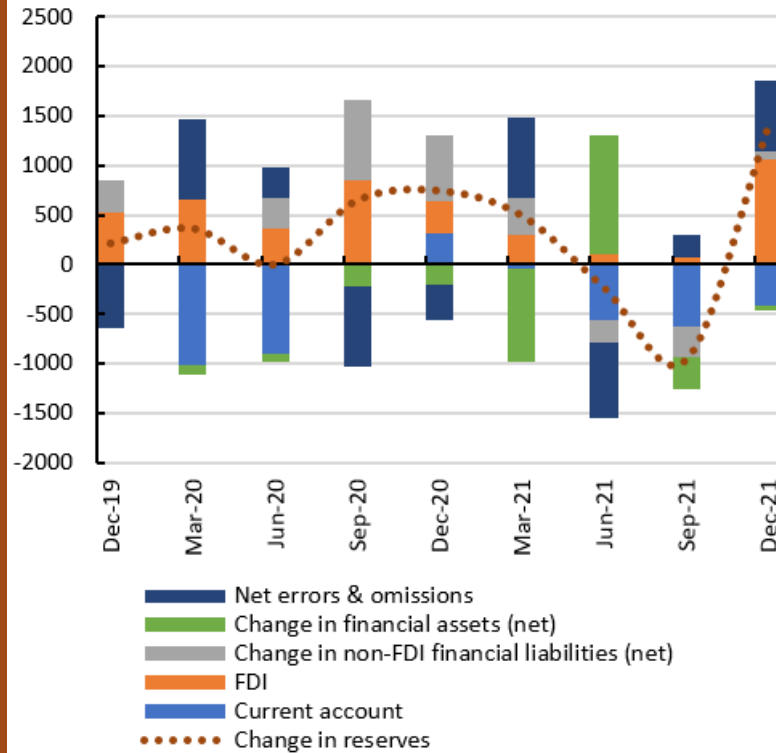
- Apparent stability in the balance of payments poses a puzzle

Figure 43: Myanmar kyat/USD (Reference rate, counter rate, parallel market rate)



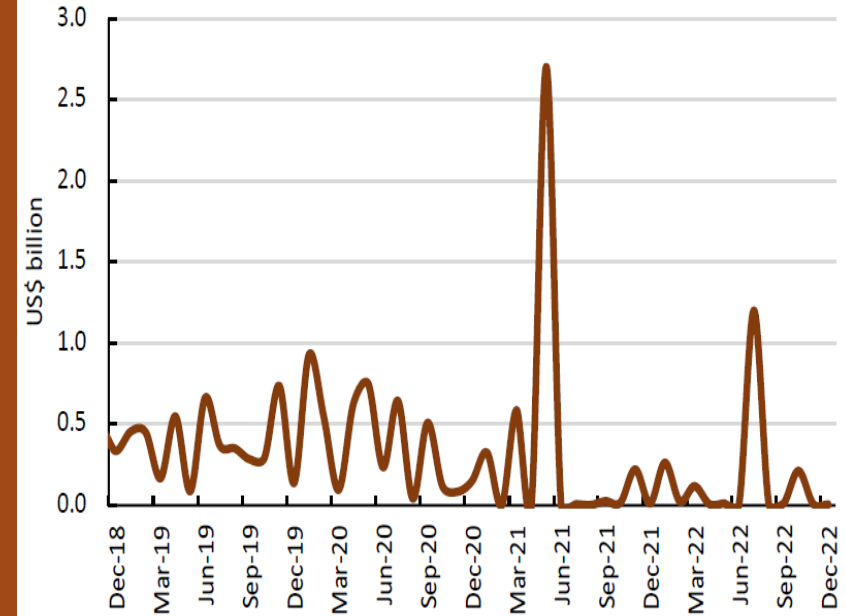
Source: Central Bank of Myanmar; Money Exchangers

Figure 39: Balance of payments (USD, millions)



Source: Central Bank

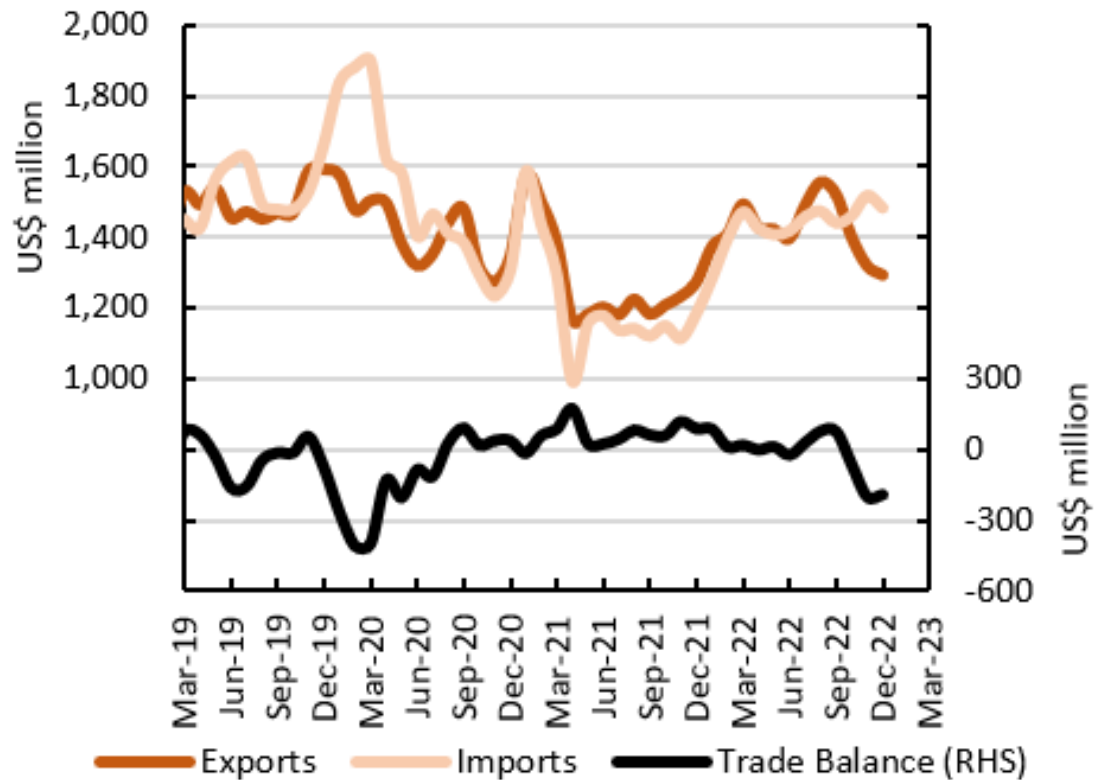
Figure 40: FDI commitments



Source: DICA

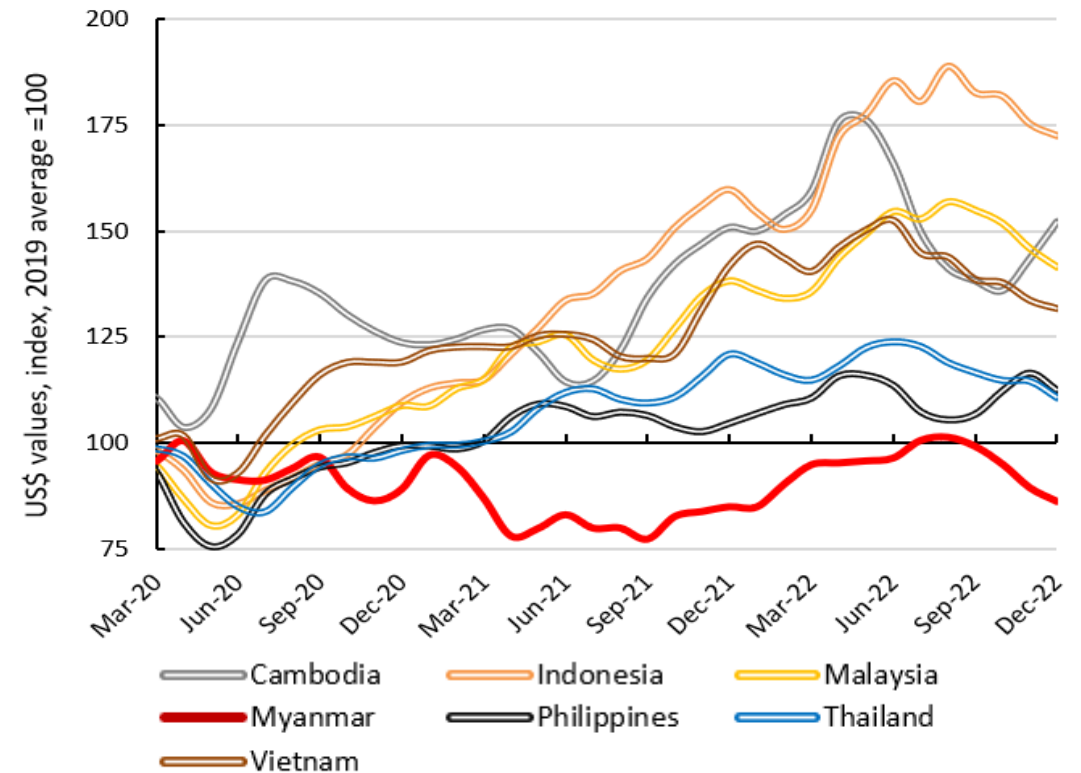
Trade has been relatively resilient by some measures, but goods exports not driving recovery like in the rest of the region

Figure 28: Trade flows



Sources: CEIC; Ministry of Commerce
 Note: Data reflects a 3-month moving average.

Figure 30: Myanmar's goods exports in comparison with regional peers (2019 average = 100)



Sources: WB Staff calculations using data from CEIC; Ministry of Commerce
 Note: Goods export values are seasonally adjusted.
 Data reflects a 3-month moving average.

Short-term outlook remains subdued, with elevated downside risks

Figure ES 7: Real GDP growth and contributions to real growth by sector (year ended Sep)

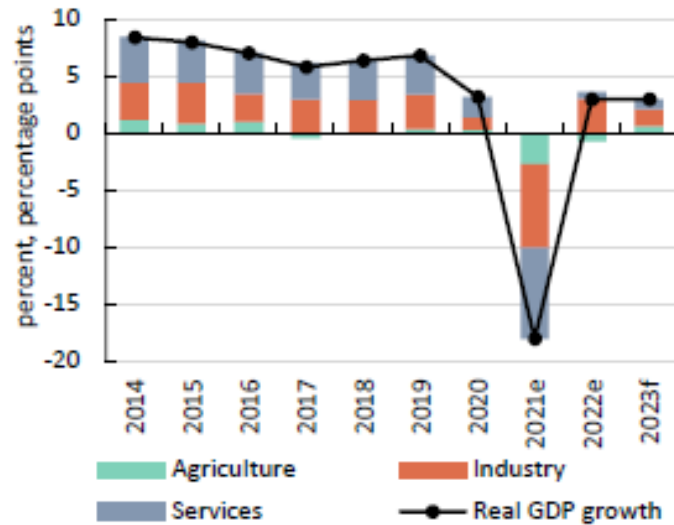


Figure ES 8: Real GDP per capita (year ended Sep)

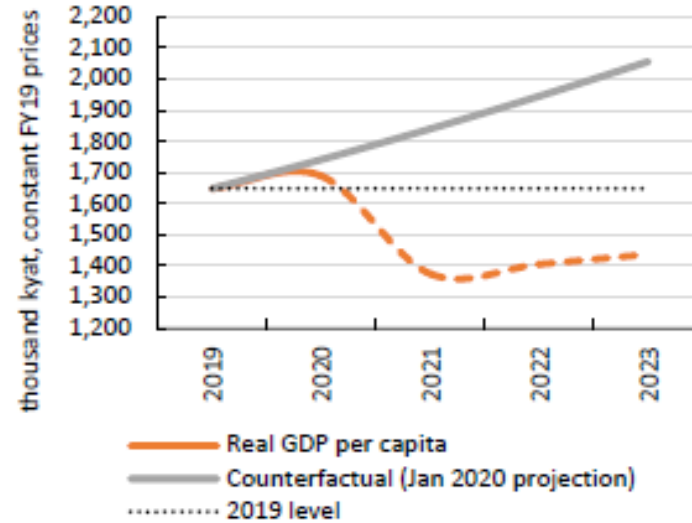
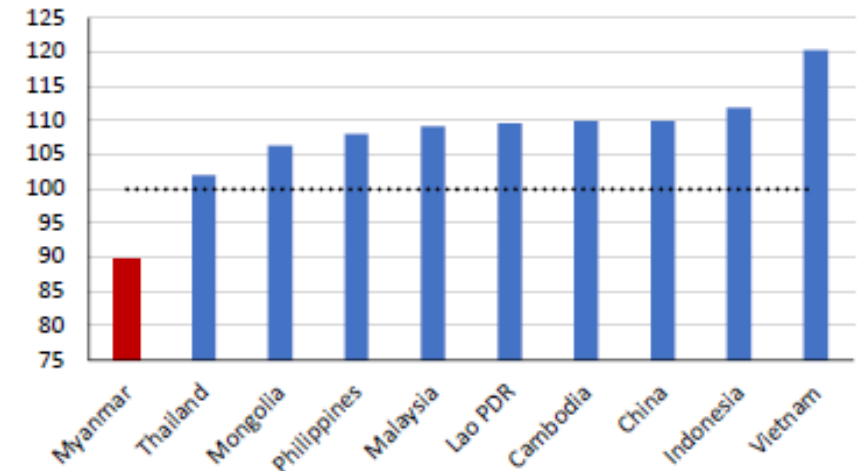


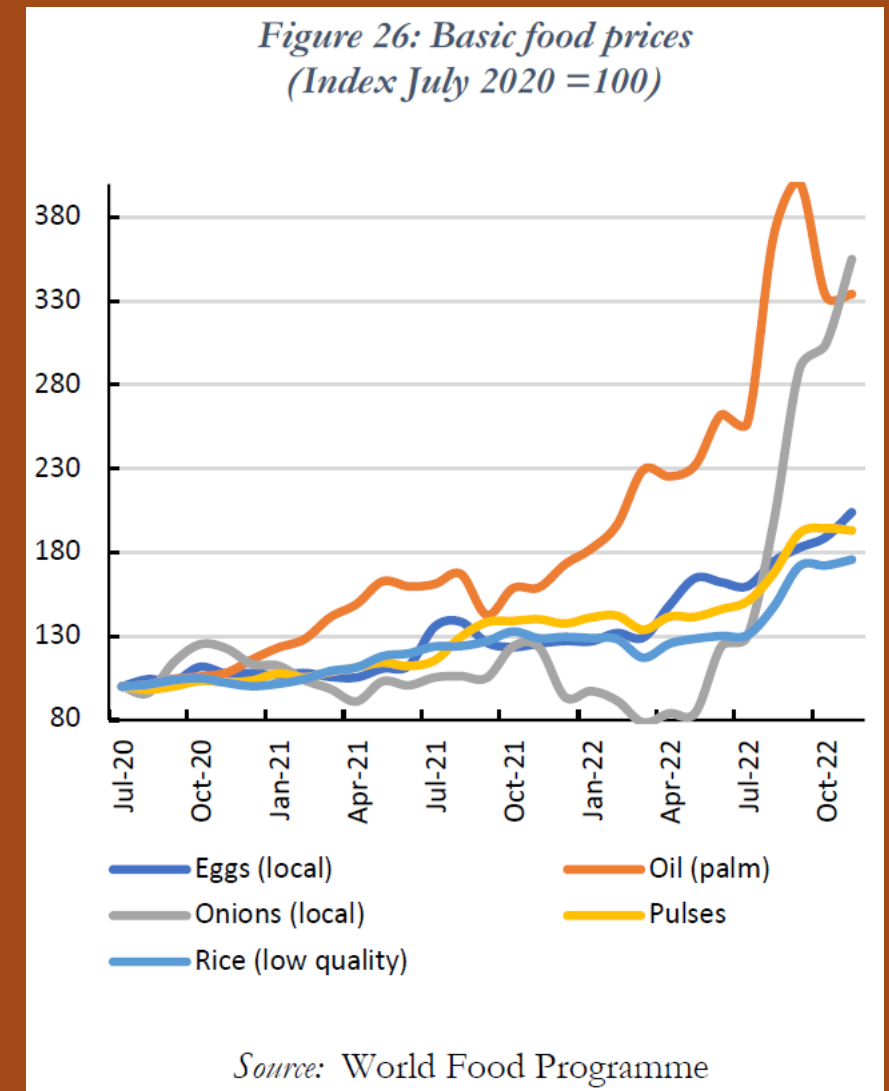
Figure JS: Forecast real GDP level in 2023 (2019=100)



Source: Global Economic Prospects, January 2023
Notes: Real GDP level in 2019 is indexed as 100.

Household incomes and coping mechanisms remain under severe pressure

- Pressure is cumulating as incomes fail to recover and coping mechanisms are increasingly strained
- 46 percent of households reported income losses compared to the previous year (IFPRI, July/August 2022)
- States and regions with higher poverty rates had a greater share of households reporting income contractions
- In May and in July/Aug 2022, around half of all households reported reducing food consumption
- Half of all farming households reduced spending on agricultural inputs
- Correlation between higher food prices and poor dietary diversity



Drivers of (inclusive, sustainable) longer-term growth remain at risk

- Physical capital
- Human capital
 - Education
 - Migration
- Productivity
 - Business environment has become more difficult
 - Shift in the way resources are allocated across the economy

Firm surveys paint a mixed picture, with signs of improvement in recent months

Figure 2: Firms' average operating capacity

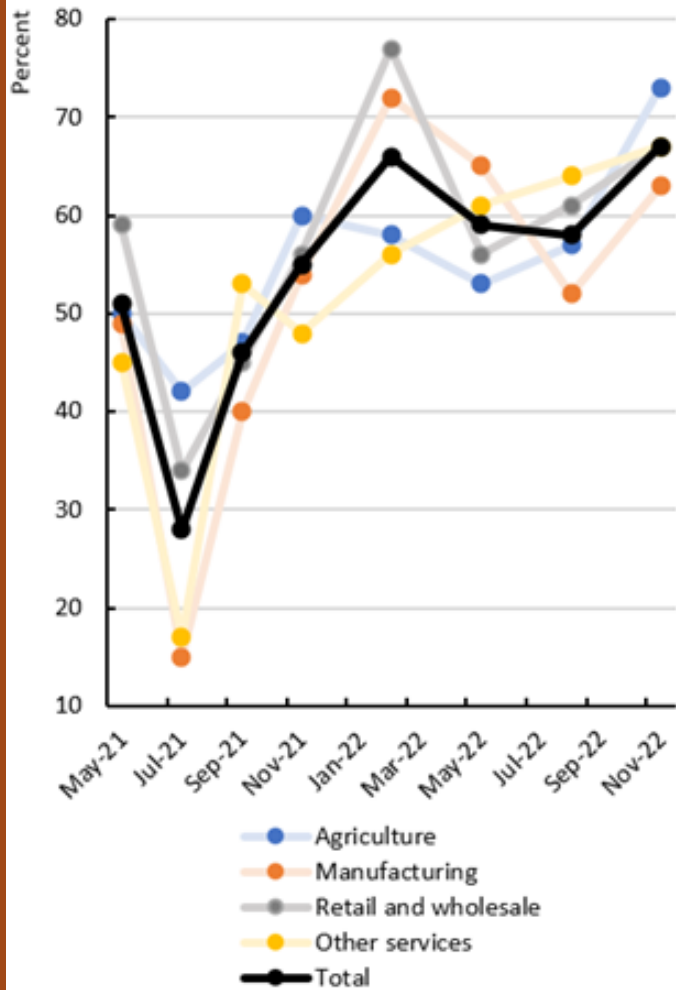


Figure 3: Challenges to firms' operations

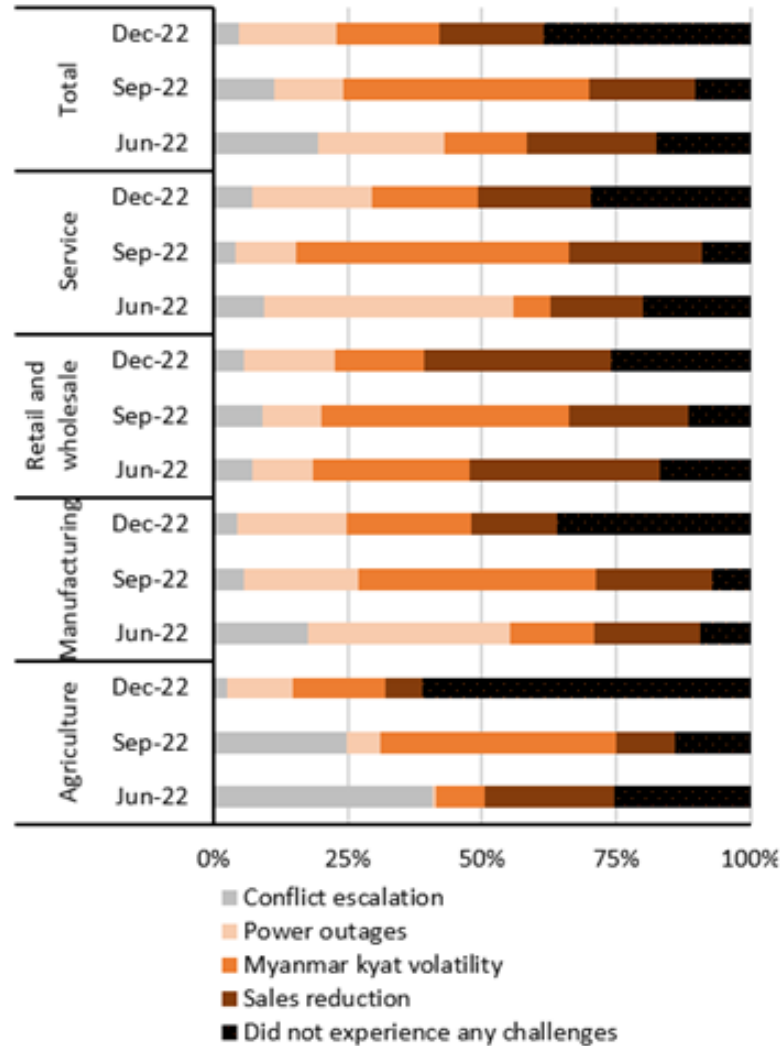
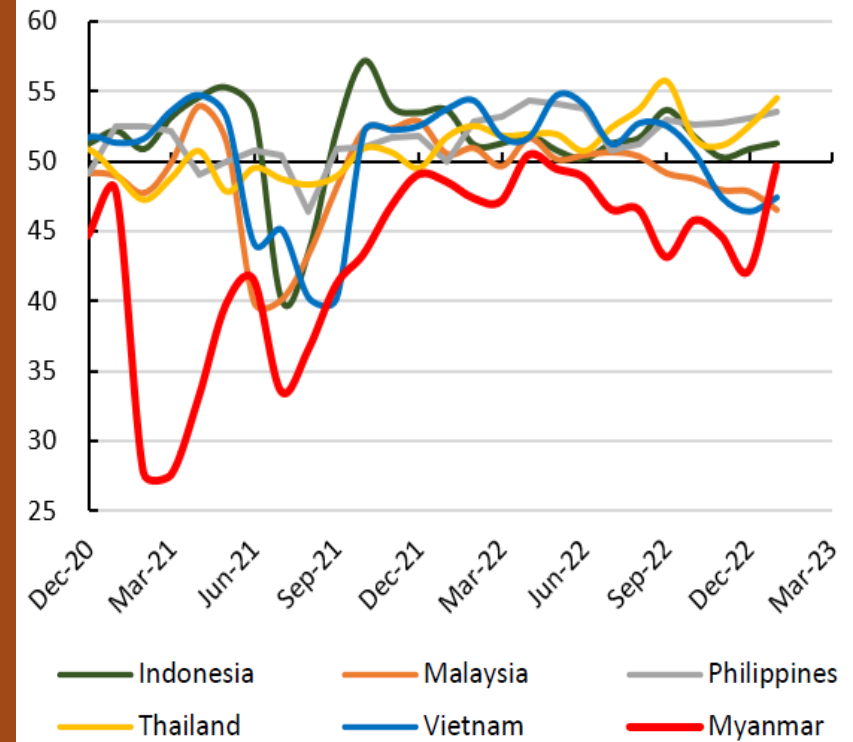


Figure 13: Manufacturing Purchasing Managers' Index – regional comparison



Disaggregated trade data provide clues about trends in the formal (and informal) economies

Figure 33: Major exports by product groups

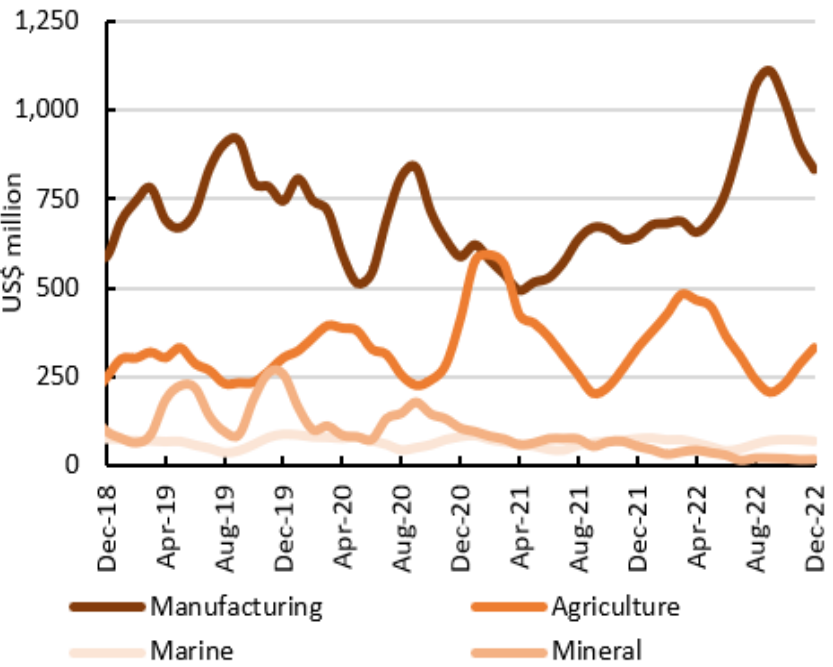


Figure 37: Imports by product groups

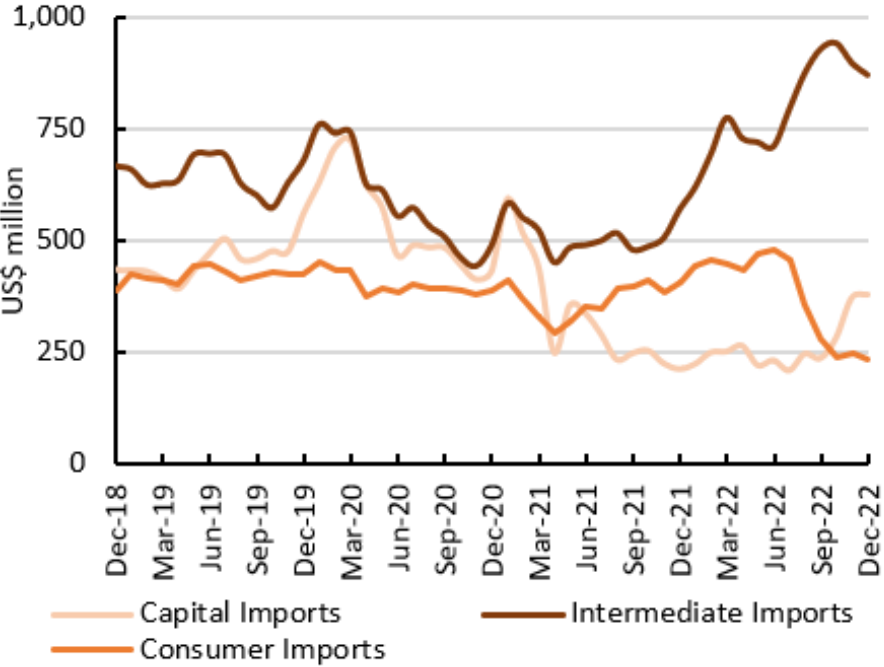


Figure 31: Myanmar's exports to China

